



**Milwaukee County Employees' Retirement System (ERS)
May 14, 2020 Committee Meeting
MINUTES**

Call to Order

Audit Committee Chairperson LaValle Morgan called the Audit Committee meeting to order at 1:30 p.m. on Thursday, May 14, 2020. The meeting was held virtually due to Wisconsin's "Stay-at-Home" order issued by Governor Evers on March 24, 2020.

Board Members Present:

Fernando Aniban (*left at 2:50*)
Laurie Braun
Jeffrey Gollner (*left at 3:15*)
Michael Harper
Elena LaMendola (*left at 3:30*)
LaValle Morgan
Himanshu Parikh
David Robles

Others Present:

Erika Bronikowski
Jessica Culotti
Noukone Keovilaysone
Tina Lausier
Abbey Moreno
Judd Taback
CJ Pahl
Rachel Preston

1. Topic: Pension Governance

a. Committee Assignments and Timeline

Ms. Bronikowski explained that Committee assignments have been made. The next steps include each Committee selecting a chairperson, and the chairpersons from all of the Committees determining the Board's meeting schedule for the remainder of 2020. Attorney Culotti confirmed that the Committee assignment does not need a Board action so the assignments are complete. Ms. Bronikowski explained that the next steps are to convene each of the Committees so a chairperson can be elected. Next, the Committee chairs will work with Ms. Bronikowski to establish the meeting schedules of each Committee for the remainder of the year. It is anticipated that the new Committee schedules will be established in June.

b. Procurement Policy

Ms. Bronikowski explained that the Board has been implementing some changes as a result of the 2019 Governance Audit and recommendations from Funston Advisory Services. A number of other policies and Board/Committee charters have been approved by the Board, and an additional policy, the ERS Procurement Policy had been submitted in a draft form for the Committee to review. The draft policy still has some open issues and will continue to be developed; however, the team drafting the policy wanted to provide a copy for Trustee review to ensure Trustees could give input early in the drafting process. The policy will continue to be developed and presented to Trustees until it is ready for their approval.

Attorney Taback walked through the draft Procurement Policy and answered questions from Trustees and clarified that this draft was developed using best practices established by the National Association of State Procurement Officials (NASPO), Milwaukee County ordinances, and procurement policies from other Milwaukee County entities.

Trustee Harper requested an analysis of the differences between this Procurement Policy and Milwaukee County Ordinance 56.30. Trustee Braun asked for the sections of Milwaukee County Ordinance 56.30 that are required to be followed by ERS and Attorney Taback confirmed that ERS is required to follow Milwaukee County Ordinance 56.30 (a), (b) and (c), which is largely regarding the Request for Proposal Process.

Trustee Aniban raised a suggestion of incorporating language regarding targeted business enterprises ("TBEs"). Attorney Taback confirmed that language on TBEs can be incorporated into the Policy with the next draft update.

Trustee Harper requested that language be added that addresses subcontracting, and Attorney Taback confirmed that the Office of Corporation Counsel could provide some options for Trustees to consider incorporating into the Policy.

After completing the review of the draft Procurement Policy, Ms. Bronikowski asked Trustees to submit their feedback to her to incorporate into the draft Policy.

2. Topic: Board Effectiveness Assessment

Trustee Harper explained that the Committee has recently been considering conducting a Board Effectiveness Assessment. The execution of a Board Effectiveness Assessment was recommended by Funston Advisory Services during the 2019 Governance Audit as a tool to identify Trustee skills gaps and continuing education opportunities. The Committee reviewed a proposal from Global Governance Advisors ("GGA") that included a Board Effectiveness Assessment and the Empower boards platform.

Trustee Robles requested that the Audit Committee have an opportunity to discuss this with GGA. Ms. Bronikowski confirmed that she would contact GGA to schedule a presentation at an upcoming Audit Committee meeting.

3. Topic: Accelerating Employer Contributions

Ms. Pahl explained that employer contributions to the pension system used to be made after the end of the year they were for. A few years ago, Milwaukee County accelerated those employer contributions to be made in the year they were for. Additionally, employee contributions are made to the ERS on a biweekly basis. In 2019, Milwaukee County made three employer contribution payments: one in June, one in September, and one in October. Additionally, if employee contributions do not total what was estimated during the valuation, there is a true-up completed in the beginning of the following year.

Trustee Harper expressed interest being able to use the full year to invest assets and expressed concern that there is additional shortfall risk may be incurred in this process. Ms. Pahl offered to research why employer contributions begin in June.

Ms. Lausier reiterated the contribution process and explained that the County and RPS staff are reconciling contributions in the first few months in the year so it may not be possible to make contributions sooner.

Ms. Pahl offered to complete research regarding the timing of employer contributions and will report back to the Committee.

4. Topic: Asset Liability Model Study

Trustee Harper explained that the Audit Committee has been considering conducting an asset liability model study for over a year. He is recommending that the Board proceed with such a study, particularly in the current market environment. By conducting such a study, the Board will be able to consider both the asset and liability side of the equation. A study like this can help the Board determine how it will manage the volatility of the ERS funded ratio and can help inform the Board's long-term strategy for sustainability.

Chairperson Morgan requested that Segal Marco attend a future committee meeting to present the modeling that they can offer.

5. Topic: Virtual Appeals Process

Ms. Bronikowski presented an internal process document for conducting appeals virtually. Considering the current Stay-at-Home order in place, the Board may need to hear appeals in a virtual environment. Ms. Bronikowski stated that the Office of Corporation Counsel developed this process document pre-emptively to ensure Trustees had guidance in the event that an appeal was to take place at a virtual meeting.

6. Topic: V3 Pension Administration System Upgrade

The Committee voted unanimously to enter into closed session to discuss Agenda item 6, V3 Pension Administration System Upgrade. Returning to open session after discussion, the Committee took no action.

7. Topic: Contribution Refunds Discussion

The Committee voted unanimously to enter into closed session to discuss Agenda item 7, Contribution Refunds Discussion. Returning to open session after discussion, the Committee took no action.

8. Topic: 2014 Supplemental VCP Status Update

The Committee voted unanimously to enter into closed session to discuss Agenda item 8, 2014 Supplemental VCP Status Update. Returning to open session after discussion, the Committee took no action.

9. Topic: Ordinance and Rule Changes

The Committee voted unanimously to enter into closed session to discuss Agenda item 9, Ordinance and Rule Changes. Returning to open session after discussion, the Committee took no action.

10. Topic: Counsel Update

The Committee voted unanimously to enter into closed session to discuss Agenda item 10, Counsel Update. Returning to open session after discussion, the Committee took no action.

The meeting adjourned at 4:25 p.m.